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editor@sddt.com

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Affordable Housing: A roundtable discussion

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Recently, *The Daily Transcript* brought together leaders from across the spectrum of San Diego's business community to discuss the obstacles and solutions to ensuring affordable housing in the community.

REO CARR: Lou Galuppo. Please define housing affordability.

LOUIS GALUPPO: I'll try real hard. It's different for everyone depending upon what their view is, what communities they're from. It depends upon what cultural, social, economic and political biases they have.

Now, having said that, the best way I can describe housing affordability is that it relates to a group of people who cannot afford the market-rate homes within a community – the market rate of homes or condos or rental units, and who cannot qualify for subsidized housing. And that's our basic definition of what we're calling "work-force housing." It doesn't deal with the people who are either homeless or who need transitional housing; it doesn't deal with the people who are in the affordable housing range, which is very low, low and moderate income. And really our research focuses on those people who, in my estimation, are getting left behind.

CARR: Bobbie Christensen, when we talk about housing affordability, are we talking about some kind of ideal in which every human being in America would have access to an affordable living space? Is that the social ideal that underlies this issue?

BOBBIE CHRISTENSEN: Yes, I think it is. And let me add this: When people use the term "social engineering," they are usually referring to government programs or policies that assist the poor. The same people decrying such "engineering" are themselves the beneficiaries of such programs. For instance, consider the fact that those who own homes get huge tax write-offs on mortgage interest deductions – to the tune of a cost to the government of around \$90 billion a year. Poor people – and middle class people who can't afford a home in San Diego – cannot take advantage of those "subsidies."

CARR: Gary Halbert, does the City of San Diego strive to achieve the social objective and see that housing is available, not provided, but is available to everyone?

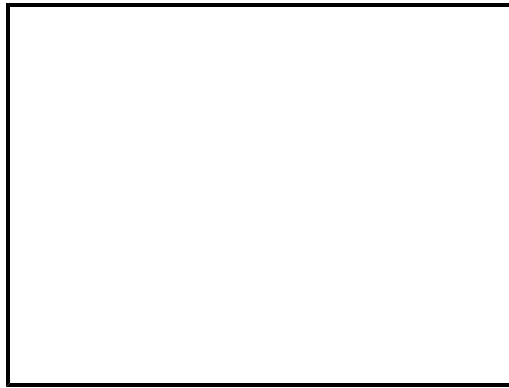
GARY HALBERT: Well, certainly that's an overall goal. It's achieved largely through regulations passed down from the state, including the need to have a housing element that provides for that housing. Obviously, there are a lot of conflicting pressures that go on with providing affordable housing. Because it's one thing to say "Provide for every man, woman, and child walls and a roof over their head" and it's another to provide that in a way that is acceptable to a community at large. I think that's where we start to get into these pressure points.

Because the goal is certainly achievable, but you really do need to be able to do it in a manner that will be found to be acceptable to all of our various communities.

CARR: Paul Tryon, what's the Building Industry Association's view about housing affordability and making available housing for every person?

PAUL TRYON: I think we're talking about affordability. We've done some pretty extensive focus groups and polling recently throughout California. It's certainly now evolved to the general public's recognition that the term affordable housing carries the connotation of subsidized housing, very low income, if you will. Although, it's oftentimes not defined that way by us close to it, it's taken on that terminology.

Housing affordability, as we attempt to define it, probably and



Tryon is CEO of the Building Industry Association of San Diego County. The organization represents the collective interests of over 1,450 member companies and more than 165,000 people employed in all facets of residential and commercial building. Tryon is responsible for the daily operations of the advocacy organization, management of all staff and the association's fiscal integrity. He serves as the principle spokesperson to the media, government entities and the public at large on building industry and land use policy issues.

hopefully is the broader spectrum from those at the very neediest level all the way through the full range of housing. Affordability is very personal and varies substantially from community to community, from individual to individual. It's a hard thing to grasp. There is recognition from the development community as housing advocates that we're a lot better of a society if our public is housed well, if we have opportunity. And the goal that people have access to housing in good state of repair that is attainable and affordable to them is a laudable goal. It definitely makes for a better society socially and economically.

CARR: Does housing affordability deal with homeownership or simply occupancy of a safe, clean place to live?

TRYON: I think with the costs that we have in California, I think it would be a fallacy for us to assume we could provide ownership opportunities to meet that objective of clean, decent, affordable housing to the broadest public possible. I think it's both rental and for sale

CARR: I'm asking this to the group, and I would like some comment about this: Is housing affordability at odds with the American dream of homeownership?

PANELISTS: No.

CARR: Why not?

THOMAS CARTER: It's not at odds. But in certain market areas today, it's just not realistic. And in this market – I think if you take the whole coastal part of California, it's just not realistic. So if you're talking about people of median income today in coastal California, they cannot afford to buy a new home, period. It just isn't there. I'm not saying they can't buy a home somewhere. There are other areas you can find homes. I think that's one of the other things we have to really look at. I don't think anyone should be promised that they get to live up on the cliffs overlooking Blacks Beach. That's just not life. You have to work your way to that point. So everyone has to start somewhere. I think what we need is some good, clean, decent housing to allow people to get started. Then I think it should be balanced throughout our community so we're all living in this thing together.

CARR: Lou.

GALUPPO: A couple things, and I'll try to be quick. There are people in the United States or people all over the world that regardless if they were actually provided the opportunity to own a house, they wouldn't want it. They will choose to rent. There are people who will go beyond choosing to rent. They'll choose to live in another manner, and they choose that. That's a reality. And I've seen that throughout my practice. So part of it is to get everybody to be able to own a home is not realistic – it's not a social or economic reality.

CARR: Because not everyone wants to own a home.

GALUPPO: Not everybody wants one, regardless if they can afford a home. I have talked with people at the University of San Diego at great length about it. I asked, "Well, why don't you buy?" They responded, "This is just the way we want to live our lives." There are a lot of obligations when you own a home. You pay taxes, you pay insurance and there's upkeep on the home. Some people don't want those responsibilities.

The second thing is I live in a little bit different world than I think everybody else at this table. And I just want to make that clear in the sense that I think that if we wanted to provide housing for people who want to buy, we can. I think we have to start removing the restrictions that exist today. So I think it's a function of three things. I think it's a function of increasing supply, lowering or diversifying the risk that exists today and finding new funding sources on a federal, state and local basis.

Nearly 70 percent of the total households in America are owned by their occupants. So you have that 31 percent that's not owned. It's investor-owned, either apartments or condos.

RUSSELL VALONE: We've come a long way in the last several years with the development of condominium conversions. Conversions have enabled a significant number of households to move from being a rental household into a homeownership household. Surveys we've done show that 72 percent of all people buying condominium conversions were former renters. So we're moving closer to the national average.

Back to this issue about should we build it for sale or build for-rent housing with subsidized funds. No one was

born with the right to own a home; it's not a God-given right. Whenever we move into that arena and try to say we want to provide ownership housing with subsidy dollars, what we're really doing is saying we want to service the few as opposed to the many.

Given the cost of housing production, there just aren't enough subsidy dollars to provide homeownership opportunities for the vast number of people. For every family you try giving a home to using subsidy dollars you probably could help a dozen families get into a rental unit.

JOHN LOMAC: I think I might be the only boomer who's sitting at the table here, but demographically where boomers are moving right now with their equity is phenomenal. I have a 26-year-old son who graduated from college. And where's he going to live? He's living in the front house of my property, renting a house.

You look over the years at what's happened, the stretching of that has been absolutely phenomenal. As I look at the State Association Statistics for California and the United States in terms of housing affordability, the lines ran very close together until somewhere in the 1970s, and we all know probably what happened.

The line became parabolic and moved up in terms of that disparity between income and median home price. So I think we can all talk all day in terms of the cause of this and so forth and whether or not a person has a right to a house. I don't think so. My organization believes in the opportunity for homeownership. I think actually in many ways, whether it be social engineering or not, over the last 15 years this country has done an amazing job in getting people into homes. When you start moving the needle at the national level from 60 percent to 69 percent in terms of homeownership, that's a significant sign.

From our perspective it is a very stabilizing part of democracy, community involvement, investment in your communities.

What are some of the possible solutions that we can talk about on a going-forward basis? I think we could still be nibbling at the edges because the disparity is so great right now.

CARR: Jim, you build for-profit affordable housing. Describe what you build and the market place for the housing that your company produces.

JAMES SCHMID: I think we've done about 2,500 inclusionary units in San Diego, and I quantify some of these things because of that volume. In the year 2000 we did a 400-unit mixed-income project, which is to say it was 80 percent market rate and 20 percent affordable. It cost us \$105,000 a unit, including land. This was in eastern Chula Vista and offered ocean views.

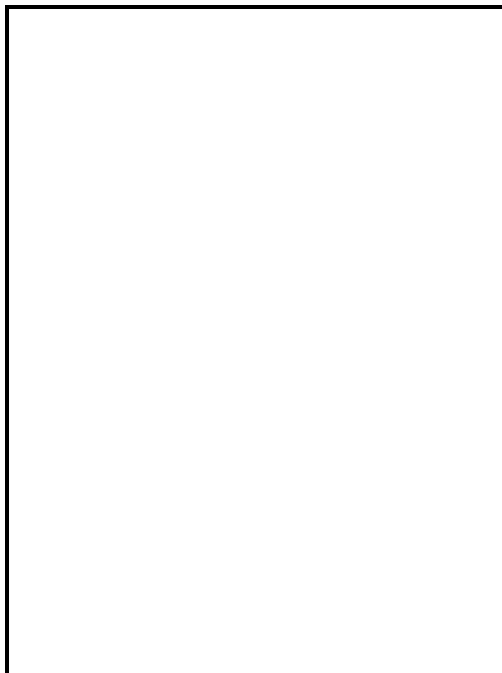
The last project we just started, which is the inclusionary project Black Mountain Ranch, cost \$230,000 per unit, not including land. So the cost of doing that housing more than doubled.

I think that the market is bearing out what everyone's saying here. The subsidy for producing that many for-sale units would probably be eight, 10, or 12 times as much. Five years ago I would have bet the whole industry would have moved in the direction of for-sale affordable housing. I agree entirely with what's being said here, that that's just not in the cards anymore with this recent cost run up. I think we'll see more of the same.

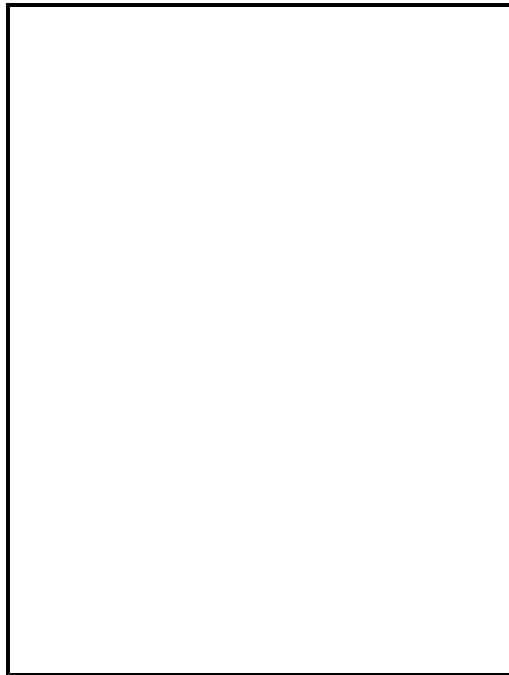
The Black Mountain Ranch project targets families with incomes as low as 25 percent of area median income, and up to 60 percent. So I think the industry has done a pretty good job of serving the market from zero to 60 percent of area median income. I think our real crisis is in the 70 to 100 percent income bands. Those are the folks I think have aspirations of homeownership and will have a tough time getting there.

CARR: We have discussed the concept of providing housing for everyone. I believe there's the agreement around the table that we are going to be able to provide affordable for-sale housing for everyone. Can we provide affordable housing for everyone to live in, whether they purchase it or rent it? Is that a goal? Is that something we could achieve in San Diego County?

CARTER: I certainly think that should be our goal. I would



Lomac has been the executive officer of the San Diego Association of Realtors since 1997. He was a real estate agent from 1978-1998 and maintains his California broker's license. John has served on National Association of Realtors committees and work groups for the past six years and is a member of the Association Executive Committee's recommendations and recognition subcommittee.



Carter is a principal with Carter Reese & Associates, which is recognized as one of San Diego's premier "infill developers." It has developed approximately 400 homes in San Diego's older communities. He is also chairman of the investment committee for the San Diego State University Foundation, president-elect for the San Diego Historical Society, board member for Neighborhood National Bank and board and executive committee member for the Children's Hospital & Health Center.

rather have people living in housing than living in the streets. With all due respect to Lou, I'm sure there are people that maybe that's where they want to be.

CARR: Why is it then that we talk housing affordability in terms of percentage of people who can afford to buy houses? We never talk about the affordability of rent. The focus on ownership implies to the public that housing affordability is tied to ownership. That's the message being communicated. Homeownership is the benchmark to which we most often refer.

When I first arrived in San Diego six years ago, as I recall, about 25 percent of the families could afford to buy a home in the city. Today, that number is down to 10 percent. It is in this context that we talk about housing affordability. And yet in this room of experts on housing, you are saying that we cannot assure people can buy housing, and what we're really talking about is rental housing. So why doesn't the industry create some kind of measurement around what is truly housing affordability – availability and affordability of rental properties – and end the focus on homeownership as the sole measure of housing affordability?

TRYON: I don't think what you heard was an abandonment of the principle of homeownership and the desire to meet those needs as broadly as possible. I think you have to sustain that commitment to the extent that it's feasible and maintain that as a goal. I think socially and economically when you can foster a society that owns property, I think you're better off. I think that we have shown gains nationally. I think we've shown gains even locally. And I think that needs to continue to be a goal. The standard of affordability is, in fact, homeownership.

Could an alternative index be developed? Perhaps. Is it a radical departure to measure people's access to housing in a

different way? Even our Founding Fathers determined ownership to be a valuable part of America's prosperity, socially as well as economically.

CARR: Lou, please address my original question. Why are we using the ability to buy homes as the benchmark when, in fact, we have clearly established that homeownership is not in the cards for many, many people?

GALUPPO: I'll address it in a couple different ways, and then I'll ask John to address a portion of it. California Association of Realtors and the National Association of Realtors tracks what is called the housing affordability index. I'll let John explain it. Typically the media follows that index because it deals with median income and median home prices. It's a standard which all the rest of us use to discuss. It isn't necessarily accurate. In fact, it's probably not accurate, but that is part of a difficult discussion. That's the first point.

The second thing is – I'm going to go to the issue that we've been talking about – rental versus purchase. The people who vote in this country, for the most part they own houses. They buy cars. They buy refrigerators and other household appliances. The people who cause the economic engines to run on a consumer basis, they own houses. They buy cars. They buy refrigerators. That's why it's important for media to keep talking about that. Notwithstanding that particular issue – and everybody at this table should be nodding their heads when I say what I'm about ready to say – for most people the largest asset that they will ever create in their life will be the ownership of their home.

They will use their home to buy cars, to send their kids to college, to buy insurance as they get older because they can't afford insurance in any other way. They will use their homes to help their children buy their first homes.

The public sector has the obligation for the health, welfare and safety of the citizenry. What that is and how that's defined and how it's practiced and how it's financed, that's a whole different set of issues.

And those are the issues, in my opinion, this group should be focusing in on and talking about. Gary alluded to it and Tom's been talking about it. Those are where the issues are. What is the public sector doing? What does the private sector have to react to? Most of the resources slated for housing in this country have been going to affordable housing – "for-rent" affordable housing, overwhelmingly.

I don't want to sound like a builders' advocate because I am not. I sit on both sides of the issue, and I have my own view on how things should be handled. The inclusionary housing statutes in this particular state versus other states have spawned a whole new level of development and developers.

CARR: Bobbie, would you like to respond?

CHRISTENSEN: Builders who develop affordable housing, including inclusionary housing, do so with the help of government funding. That's something many people do not realize. And such funding is necessary so the housing can get built.

And let's take a look at the people who are helped. They are folks like Rusty K. When he was a kid, after diving into a pool, he woke up paralyzed from the neck down. He has struggled to get ahead, went to college, works, but he still needs an affordable apartment.

There is a lady who I spoke with the other day, 81 years old, worked all her life. But now that she's living on \$750 a month in Social Security, she also needs to live in an affordable apartment created with help from government subsidies, or she needs Section 8 rental assistance.

And families need help, too. You've got the guy who's out there working for \$8 an hour, and his wife makes \$7 an hour. These are people who work in hotels or restaurants or in other industries that typically pay low wages. And they help keep the San Diego economy strong. They either need to be paid higher wages, or they need help paying San Diego's high rents.

I also don't know that the public sector should be responsible for all affordable housing. It is certainly not policies such as inclusionary housing – at least here in San Diego – that have driven up housing prices. I believe as well as the next guy that in America there is nothing wrong with making a profit, as I have when I've sold each of my homes. But let's recognize that developer profits have skyrocketed in recent years.

I'm saying when we sit around and talk about why housing is so expensive and we look at a variety of reasons, we have to include the huge profits developers have been able to make because the market would bear it. People have kept on buying homes even though the prices have gone up and up.

Having said that, should the costs of building affordable housing be on the back of the building industry totally? I don't think so. Should it be on the back of the government totally? I don't think that either.

But, again, let's not consider low-income people some kind of burden because they have just not pulled themselves up by their bootstraps, as though everyone is able to do that. Not everyone can.

CARR: Should we measure the number of families or individuals in need of housing in this community and then count the number of available dwellings that meet some specified standard and use that number as a measure of housing affordability? There has to be some way that we can more accurately measure the actual supply of affordable housing, be it for rent or for sale, to determine how big a housing crisis actually exists in San Diego County.

VALONE: It's a supply issue in San Diego County; during the boom years between 1995 and 2000 the county built 80,000 fewer housing units than the demand generated from job growth brought about. We've made choices along the line that a gnatcatcher, which is not even an endangered species, is more important than housing our population. So every time we moved through the process where we've had the opportunity to step up and say we're champions for housing, it seems a roadblock has come along and pushed us back to where we haven't produced the supply.

If we don't increase production, home prices and rents will only go up. And then all of a sudden we get to the point where we not only say, "80 percent of the population can't afford to buy in San Diego," but we'll also be saying, "50 percent of the population can't afford to rent in San Diego."

To solve the problem, let's go through the city and the county, let's identify all underutilized land owned by the government and look at it as potential locations for affordable housing. Then let's eliminate the tens of thousands of dollars worth of fees that get put on that land so we can produce more units with the money we have set aside for subsidized housing.

CARR: Tom had a comment, and then we'll go to Paul.

CARTER: Well, I think that nobody knows more about building housing than builders. What bothers me is when I was in the lending business and red line was an issue, we had to go and deal with it. And I'd have to be the point person. I just think that the building community – our group included – needs to be cognizant of what the problem is. The problem is people who want to come to San Diego for good jobs, want to come in making maybe \$50,000 or \$60,000 a year. And they land here, and, yes, they can get an apartment or rent or buy a condo conversion. But if they want to buy a new house, they're miles away. And that's the problem.

Back in the '70s – you think back, Steve, when Pardee started Mira Mesa – \$12,000 to \$15,000 a house – people could move out there. And that was a first house. Young people could get started in housing. People should have that opportunity. Young people today, people with incomes up to \$100,000 today, have very limited new housing opportunities.

CARR: Paul.

TRYON: I guess back to your question about the index. To be candid with you, whatever standard of measure, I don't think San Diego needs a new index. And, quite frankly, a lot of these guys have given a lot of time. I've seen most of you in every forum possible to talk about housing. There's a lot of acumen in San Diego to deal with the issue. There are people who build it, people who finance it, manage it. There are community activists who are knowledgeable on the issue. There's academia. There's a lot of brain trust in San Diego.

What we're lacking is leadership to take good ideas and move toward solutions. And I don't mean that disrespectfully to the senior staff people at our public agencies. I also think that we have a tendency to spend a lot of time on things that are probably counterproductive in the pursuit of finding solutions. We haven't really marshaled the resources collectively as a business community, as community activists, as housing advocates to compel our leadership to take on the issue. We've had a lot of forums. There have been studies and recommendations and task forces, even the city has had task forces. What it requires is stewardship and leadership.

Thirty years ago our median income in California was almost exactly the same as the median income for America. In fact, housing prices in California were a little bit less than the median house prices across the country. You have to ask yourself what happened in 30 years – because now our median income is roughly equivalent to the rest of the United States, yet our housing prices are double, in some standard of measure, triple the national standard.

What happened? Well, you can look at our regulatory environment that's occurred in the last 30 years. I mean, we have coastal commissions and California Environmental Quality Act (CEQA), the list goes on and goes on and goes on with the level of regulations, which drives costs, which ultimately limits production.

We undersupply. We don't plan effectively, and we don't implement our plans. We haven't made a commitment of resources to housing. Those are our past sins.

But if you look at today, there are a lot of positive things occurring in affordable housing. There's a lot of acumen brought to bear on this issue. What I think is missing is not the shortage of ideas or even the experience. What's missing is the commitment to make it a priority and to marshal the resources and really take into play the level of competency the town has to deal with the situation. We must make it a priority.

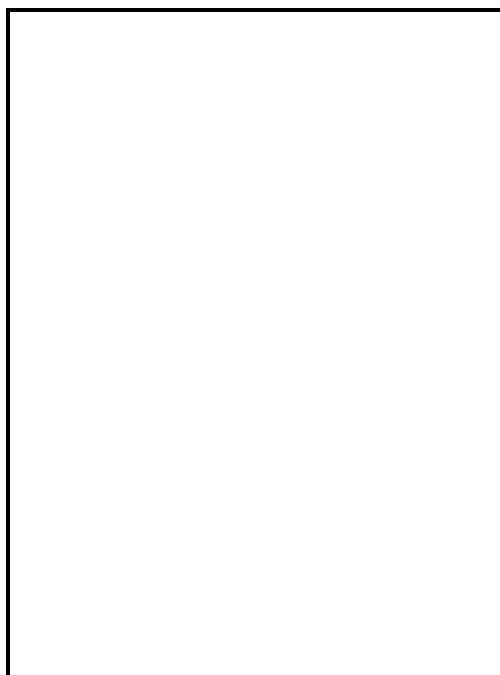
CARR: Jim.

SCHMID: If I were going to design a system that guarantees the highest possible cost of producing housing, I would design our current system. I agree with what you said, that the implementation of almost any of them would improve things. The system has to be improved to enhance supply. The economic problem here is simple – supply and demand. What we bring to the table in developing affordable housing is bridging that gap.

There is a conflict between the democratization of the development process, whether it is planning groups or environmental advocates or health and safety advocates. Everybody has strong feelings about strong points. But when you add it all up, you have massive resistance in the system. We can't get close to producing the numbers that we need.

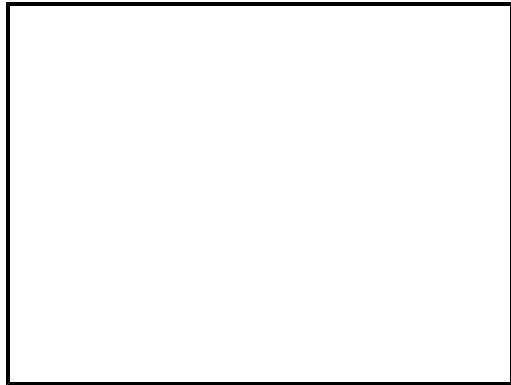
I agree with you, Paul. I think there are some improvements being made. I mean, when most of us started in industry, all the fight was for greater density, now there are minimum density requirements. Contrary to what Mark Twain said, we are making more land with the vertical density. You can't go down very far because of the water table, but you can go up. And I think good things are happening in that regard.

CARR: Gary, you represent the city of San Diego. The issue affecting housing affordability, as referenced by several people, is simply supply and demand. If you accept that premise then we need to look at ways of



Schmid is CEO of CHELSEA Investment Corporation. He has been in the real estate

increasing supply. What are the roadblocks to significantly increasing housing supply in the near term?



Halbert is the development services director for the City of San Diego. The department is responsible for the review, permitting and inspection of all land development and building projects in the city. Prior to his current assignment, Halbert was the city's deputy planning director. Halbert is a registered professional engineer with the State of California and a certified planner with the American Institute of Certified.

business for over 25 years and has considerable experience in all areas of development and management of commercial and residential properties. In the last 10 years, he has concentrated on financing and developing affordable housing, and development in communities in need of revitalization.

HALBERT:
You called it a simple question of supply and

demand, and it's supply and demand, but not simple. There certainly is a regulatory environment that impedes the job-housing balance that we need to achieve. And the solution has been to draw a broader line around the area being considered for the jobs-housing balance. So now south Riverside County is part of our job-housing balance. I think what we're trying to get to is achieving the jobs-housing balance within our own communities.

One of the things that stands in the way is the regulatory environment. It can be frustrating when you go forward and try to simplify the regulatory environment, and often what comes out is even more regulations instead of what you were going in to achieve.

I do agree with Paul. We do need more leadership. The idea of having a champion for affordable housing is a very good idea. There have been some strides made. We do look now and say, "If you want to go below the minimum density on

land, you're going to have to do a community plan amendment, just as is you were trying to increase the density of the land."

We've implemented higher speed processing for affordable housing. I would like to expand that program out and do it on a broader scale for housing in general.

Another impediment to affordable housing is the cost of infrastructure. I think that is a large part of what's driven the cost of housing. If you go back over those last 30 years that has been discussed, there was a time the general tax base paid for much of the infrastructure. And today the expectation is that development will pay its entire way. And the definition of what makes up the "entire way" is continuing to grow.

Now we're into the area of identifying that, well, there are parks needs that haven't been met, public safety needs that haven't been met. And those are things that weren't fully addressed in the past. If you go back 15 years, the emphasis was on sewer, water and roads. Now, the scope has increased to add in other areas of infrastructure. And, in fact, you might say housing itself has become infrastructure and that development's share of paying its way is through on-site affordable housing or in-lieu fees. All of these costs clearly have an effect. I can't make a direct assessment on the effect on housing prices as a result of having to pay your own way as you build additional housing, but there is clearly an effect. But there are things we can do to help make the goal of affordable housing more achievable.

I don't expect to see a lot of change in the regulatory environment. But I do think there are things we, the public and private sectors, can do together. I think we can do a lot more partnering on projects.

Also, I think there are things we can do to streamline the development process. Everyone has to go through CEQA. But, there is no reason each project should be doing its own separate CEQA document. Documents should be done on a more community-based level.

If I were to put my finger on one area where I think we need some regulatory changes, I think it's in parking. As you go into the older communities, parking is the big issue. The communities are already experiencing heavy on-street parking. A common concern expressed is that there's no parking left, and the city wants to put more housing, more cars out there. Many of the existing units were built without any parking requirement whatsoever. And so as people think about their community, they think it's going to be more of what has already happened. So we end up with parking requirements for new development that are often even higher than what our analysis would say will be needed.

And parking layout can be more land efficient. Even something as simple, albeit controversial, as tandem parking. Because if you don't have tandem parking, that means you have twice as many drive aisles, and that's a loss of good land that could be used more efficiently. Also, the amount of parking you can put without having to go to sub-grade parking is a huge factor in the cost of housing. If we look at the fact that we're going into more of an infill era, you can't build a small affordable infill project and have to go to underground parking. We need to be able to accommodate the housing units and the parking on the constrained lots.

CARR: Steve Doyle, go ahead, please.

STEVE DOYLE: We've talked about a lot of the issues individually that impact affordable housing, housing affordability. We've also mentioned, I think, the overarching issue, which is supply and demand. Russ gave us some numbers of what that means in San Diego.



Doyle is president of Brookfield Homes' San Diego division, which is building new homes and master-planned communities in Carlsbad, San Diego, Chula Vista, San Marcos and Riverside County. Besides serving as California Building Industry Association president, Doyle is a CBIA director and chairman of the executive committee. He is active in the Building Industry Association of San Diego and is also a National Association of Homebuilders director.

You can mimic those numbers at a state level. The state housing and community development department tells us we need 250,000 homes a year – 1989 was our best year at 230,000, and we dropped down to the low hundreds, and this past year we got back up to 215,000. We're not meeting the demand statewide or locally. I think it goes beyond political will. I think it's public will. I think you have to get down to the basics. Because the politicians are responding to the public that elects them, especially in the years of term limits and, "Got to find my next job, so I'm not going to do anything that's controversial that will keep me from getting my next job." They're responding to the people who vote. And Lou told you the people who vote are the people who own property. Let's take it a step back beyond that.

The people who own property in San Diego are broken up into at least two categories, and maybe more, one being pre-Prop 13 owners, and the other being post-Prop 13 owners. The pre-Prop 13 owner is owning his house today valued at half a million dollars but paying \$300 a year in property taxes; the post-Prop 13 owner is sitting right next to him on the same street using all the same facilities and services paid \$500,000; he's paying \$5,000 a year. He pays \$5,000 for police, fire protection, trash pickup, et cetera, et cetera, et cetera. His neighbor pays \$300. That creates this public will issue.

Mr. \$300-a-year doesn't want to have to pay more than \$300 a year. He has got an entitlement for \$300 a year, and that's all he's going to pay. So it falls on the rest of society to pick up the fair share that is not paid for by Mr. \$300. You add all these things together, and you create this public will that says, "Yes, housing is important. We have to have housing and provide it for everyone as long as you pay for it," or, "You pay for it, but I'm not going to pay for it. I've got mine. Leave me alone."

So what do we do? It takes education. It takes a process of working through the pre-Prop 13 property owners. Eventually they will all have to go somewhere else, and their homes will transfer to somebody who is paying more property taxes. That's going to take a while. But we have to get to the point where we give ourselves the opportunity to provide the housing that we need. Today we don't even have that opportunity.

The California Building Industry Association and the California League of Cities in working with the senate and the assembly and the governor's office has started this past year with a very difficult and arduous task. And that is to get everyone to agree on how we're going to raise the supply of housing in the state of California. As you can imagine, when you're dealing with cities that don't want any more housing and cities looking at new housing as the opportunity to bring all their standards up, there's a few divergent opinions on how we're going to do that.

What we have landed on and what seems to be the focus today – and the details will be worked out over the next year or so – is each city, no matter where they are in their life span of being built out or being started, needs to provide its fair share of housing and the opportunity for that housing. And we're looking at it in terms of a 20-year perspective. That means that 20 years of supply has to be shown somewhere in their general plan, ten years of supply has to be zoned for residential use, five years of supply has to be available to build on demand.

In other words, all the entitlements, all the constraints, all the restrictions have been dealt with. So that means you're doing master Environmental Impact Reports, which the city of San Diego has started doing. The city of San Diego is actually one of the models for this program. Their City of Villages was the model, unfortunately it got to the finish line and couldn't cross, but the City of Villages process got them to the point where they were looking at a 20-year supply of land, and the public will influenced the political will, and we couldn't get 20-year supply. We got 37,000 units less, or something like that. We've got to take it to the point where the public will says, "Yes, 20 year supply of land is the right thing to do."

Then we have to work with the local jurisdictions to enforce that. If we can do that, all these other issues have the opportunity to be addressed – the parking standards, fees, density, et cetera – because you're going to have to do that to figure out how many homes you're going to build in those five years by right. You'll have to get through that issue to do that environmental review that gives you that by-right permit. You'll have to do it for the 10-year supply and the 20-year supply. If you start this rolling five-year by right, we have a chance and an opportunity to

get back to delivering the supply that we need to meet the demand.

On the other hand, we can sit here and argue about it all day, and 500,000 people will move into California every year, and we'll see 9 percent affordability. We'll see "I got mine and I can live here, and I'll give it to my kids when I die, and they can live here." But anybody else coming in, "You have to live in El Centro, you have to live in Arizona, and you're not going to live along the coast."

CARR: Russ, you have studied consumer attitudes for a long time. Is this a question of leadership or education?

VALONE: Education, I would say, even more so than leadership. As baby boomers start recognizing that they're never going to get back that extra bedroom for their office because their kids aren't going to leave until they're 25 or 30.

When we've asked our buyers, "Would you rather live in attached housing units in San Diego or would you rather commute an hour plus in Riverside County and buy detached homes?" Our people tell us, "We'll stay here. Keep us in San Diego."

CARR: Paul.

TRYON: I'll depart a little bit from my peer, Mr. Valone, in the sense that I think education is important. We've done some extensive polling, and it's amazing what people won't pay to help their fellow man. They identify it as a problem, but they won't participate in the solution. But that's sort of our nature.

Leadership, however, is just that. They have to be educated to understand these issues in greater depth, to draw in the talent and resources, staff accordingly to address matters that are clearly the problem. When you have the leadership to declare a housing state of emergency, you have an onus and a responsibility to marshal the resources necessary to solve the problem.

DOYLE: I agree with you, Paul, in that we do need the leadership. But until someone is willing to step forward – some body of people are willing to step forward and take on the leadership role of dealing with public scrutiny that gets placed upon our elected officials and the abuse our elected officials undertake simply by stepping into that role – you're going to have the best-qualified people sit on the sidelines.

Therefore, you're going to have those folks who only respond to the public will. So if we can't get the leaders to step forward, then we have to get the public to understand. We have to educate them. It's an "A" or "B" decision, guys. Your kids can go to Yuma or they can live here.

TRYON: Interesting. In our polls people identified housing as important, but they wouldn't pay \$50 to help address the situation and develop a pool of resources and money. So I agree with you that you have to educate the people. But on the other hand, if that's their attitude and it's still the wrong decision, you have to overcome that. You can't wait for them to fully come around and say, "Yeah, I'm in." I think if you're a steward of your community, and that's what we ask, then we need to support them and give them cover, and they need to make the tough decision.

CARR: Tom.

CARTER: Clearly the future for our community is going to be building this housing. I've got to tell you, it's a very difficult, cumbersome thing to do. If you think we have trouble getting out units today, five years from now, Paul, it's going to be terrible because it takes so long to process it. I think one of the things we have to work with the city on is pulling back on some of this and saying enough is enough on some of this stuff because we just can't process it.

CARR: When you say "enough is enough," what do we have enough of? Are you talking about regulations?

CARTER: Regulations, absolutely. Let's say somewhere between 40 and 80 units today on one site is probably going to take us two years and half a million to three quarters of a million to put in place before we start construction. I look back to when I did 300 lot subdivisions and I started out with \$50,000, and that would get me to the bank to get it financed.

CARR: Jim.

SCHMID: I'm skeptical about human nature changing or the education process leading to significant progress. We need expediting policies that would be the converse of the CEQA-type of impact so that the necessity of moving things along or improving the things at local level should be mandated from a more distant authority. It certainly works well from the other direction. I think that's a model well worth pursuing. It's being used in density bonuses, for example. So that would be something we should push harder on.

CARR: Lou.

GALUPPO: We have to change things at the state level. The changes at the state level need to focus on increasing supply.

The next thing at the state level is we've got to figure out a new funding source so the counties and the states have the money that they need to be able to develop either the infrastructure or the schools and the fire departments, the police departments, and anything else that's needed so the builders are not paying for it. It's community-based. They need to figure out a way to keep the money flowing in.

The third thing is the state can provide some level of political cover for our local politicians, for those people to make those decisions.

Now, if I were to wrap this whole thing up and bring it locally, we have to do two things here. One, we have to do exactly what Russ just said. And I think everybody on the table would acknowledge that we have to educate our general populace in some manner or another.

Lastly, we need to put together a group – a bipartisan group, with positions that are socially, economically and politically diverse, and sit down and say, "How do we solve the problem here?" More importantly, can we create a group of people to go up and talk about it on a state level – and maybe we're doing that collectively with the League of Cities and some other things – because redevelopment, smart growth, although it's a trend today, will not work in the long run. And that's my prediction. It will not work. It's too expensive, too time consuming.

CARR: Thank you. Russ.



Galuppo is the director of residential real estate at the Burnham-Moores Center for Real Estate at the University of San Diego. Galuppo has taught legal aspects of real estate in the School of Business Administration at USD since 1998. Galuppo also practices law, emphasizing transactions and litigation matters relating to real estate, real estate finance, construction, development, environmental and land use for Galuppo & Lacagnina, A Professional Corporation.



VALONE: I don't know how we'll survive without emphasis on redevelopment. It really comes down to the fact that we don't have the land base to house our population with increased density and redevelopment.

The real bottom line is the no-growthers have really utilized the system for a lot of years to limit the supply in San Diego County. A classic example is the tandem parking overlay ordinance, which was rescinded about a year ago. A perfect solution to be able to provide somewhat family-oriented housing, up to 30 to the acre, was blown out the window because the no-growthers didn't want it in place, so they found a technicality to get rid of the tandem parking overlay.

Unless we address those solutions in the way of parking cars, as Gary said, that is the big, big obstacle in the way of producing affordable housing in San Diego. And I mean affordable ownership housing.

CARR: Steve.

DOYLE: I'm going to correct my earlier statement. Actually, we've got three leaders right now – we've got the governor, we've got the senate pro tem and we've got the speaker of the assembly all saying a 20-year land supply is the right place to start. That gives local jurisdiction the political cover that we talked about.

The program that we're investigating also has financing for infrastructure involved through a banking system, a bonding system, which will provide the inner cities those facilities that they're going to demand to take on this increased density. It provides builders with certainty in being able to say, "Yes, that's a piece of property I can buy, and I know in six months I can have a building permit and I can go," and the process moves. And it provides things like a revision to CEQA and the

Valone is president and CEO of MarketPointe Realty Advisors. He is also a principal consultant specializing in residential projects ranging from infill high-density residential projects to standard subdivisions to large-scale master planned communities. Valone is a member of the San Diego Downtown Residential Market Association, has been a member of the Board of Directors for the Building Industry Association of San Diego County for the past three years and has undertaken a

leadership role with the BIA communication
committee.

whole environmental impact process because you do it on a larger five-year supply basis and deal with all the issues at once. And the goal is that once it's done, you can sue on that document once, but you can't sue every time a project comes in because the project is in compliance.

Now, if we do that, then we give the City of Villages a chance to cross the finish line. We get to that point where they've gone out, spent two years talking to the community convincing them it was the right thing to do before the little political guys got down there.

CARR: Bobbie.

CHRISTENSEN: I think it's important that we're at this table together. And I am working on a couple of public education issues with the Chamber of Commerce and with other entities. We all have come to meetings willing to be flexible, I think. There is too much finger pointing.

The developers say high housing prices are the government's fault, and government says it's the developers' fault. You know, we all need to be part of the solution. And I think we are some of the leaders. Once we come together as a group, not arguing, but all saying we're on the same page, we can work together to educate the public and our elected officials.

CARR: That concludes the roundtable. My thanks to everyone on the panel.